

CITY of READING
GENERAL FUND FINANCIAL REVIEW SUMMARY
MARCH 2013

The attached files are the General Fund results, year to date through March 2013. The documents include the statement of activities (income statement), full year projection, year-end cash flow/balance position, revenue by line item and contingency usage.

OVERVIEW:

With the first quarter completed (25% of the full year), some of the revenues and expenditures are forecasted to achieve full year budget. The exceptions are noted below. On a cash basis, this month's Surplus/Deficit generated a surplus of \$686,955. Caution: This result does not include the City's full year pension MMO (minimum municipal obligation) of \$9,928,999 (General Fund only) nor the State Pension contribution of \$2,800,000. If 25% of these activities are recognized this month, the aforementioned surplus would change to a deficit of \$1,095,295. The MMO expense and revenue contribution occur in the 4th quarter.

Revenues:

The city has received the 2013 property assessment values from the county. Total value is \$2,098,317,500 (26,764 parcels), of which \$668,698,300 (31.9% of total) is tax exempt. For comparison, 2012 total value is \$2,097,380,500 with \$667,839,900 (31.8% of total) exempt. The 2013 tax revenue not recognized on the exempt property is \$10,491,208, based on the 15.689 mils. The 2013 revenue budget includes \$150,000 (1.4% of exempt) for payment in lieu of taxes; 2012 produced \$137,212.

The property value after exemptions is \$1,429,619,200 (25,867 parcels) which should produce \$22,429,298 in tax revenue. With a budgeted collection rate of 89%, \$19,962,075 (General Fund: \$19,708,557 and Shade Tree Fund \$253,518) is the anticipated revenue, similar to the budgeted \$19,960,975. As a reference, the actual 2012 collection rate is the same as the 2013 plan. The County Tax Claim Bureau collects delinquencies subsequent to 2010 (starting with 2011), while Portinoff collects on 2010 and prior.

Now for the outlook, as initially stated, most 2013 revenues should achieve plan. The assessment reduction of the CarTech property may create a \$44,000 shortfall. This will be reviewed in the above tax assessment documentation.

A need exists to assign accountability to each revenue line item.

Expenditures:

Through this month, Police and Fire year to date overtime exceeds budget by \$109,503 and \$56,537, respectively. At this pace, the full year overtime uniform spending is projected to surpass plan by \$600,000. Also, another \$69,000 is projected for an unfunded fireman.

The outlook includes excess spending for Law (legal fees) is \$200,000 and \$95,000 for Charter Board, totaling \$295,000; all associated with on-going collaborations between the administration and board.

The total year projected excess spending is \$964,000.

2013 Full Year Projection:

Anticipating a \$44,000 shortfall in revenue and \$964,000 excess spending, the projected 2013 deficit is \$1,008,000. **The task is for all directors and chiefs to provide Carole (Managing Director) and Matt (Admin Director) with spending reduction ideas to soften this projected deficit.**

Cash Flow:

The March ending cash position is \$8,781,105. With a projected deficit of \$1,694,995 for the balance of the year and reimbursement of \$2,400,000 from enterprise funds (\$2,000,000 from Solid Waste Fund and \$400,000 from Liquid Fuel Fund) the anticipated year-end cash balance is \$9,486,110.

2013 Contingency Usage:

The budget is \$980,615. The use of this budget is strictly prohibited, requiring council's approval. As of this month, there is no usage.

Headcount by Fund:

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	457	134	7 less than plan	14 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	70	1	3 less than plan	4 less than plan
Solid Waste	25	4	1 less than plan	2 more than plan
HUD	5	0	2 less than plan	ok to plan
TOTAL	558	139	14 less than plan	16 less than plan

FIVE YEAR PROJECTION:

The following are estimated **deficits** during the next five years per the current 2013 projection and the ensuing years: (Each year assumes the following increases: 5% Property Tax, 2% Salary, 5% Fringe, 5% Pension)

		<u>Cumulative</u>	<u>Major Drivers (in addition to above increases)</u>
2013 Projection	\$1,008,000	\$ 1,008,000	Overtime, Legal Fees
2014 Projection	\$1,450,194	\$ 2,458,194	EIT Reduction
2015 Projection	\$10,192,935	\$12,651,129	No Commuter EIT; No RAWA (Act 73) \$6.7 MM
2016 Projection	\$10,961,044	\$23,612,173	Same as 2015
2017 Projection	\$11,408,317	\$35,020,490	Same as 2015

Now is the time to address the 2015 “cliff”. Also, insure future decisions do not exacerbate these projected deficits. Union contracts expire: AFSCME (#3799) 2014 and (#2763) 2016; Fire 2015; Police 2016

	EIT Rates		Property Tax
	<u>Resident</u>	<u>Non-Resident</u>	<u>Mils</u>
2013	2.1	0.3	15.689
2014	1.9	0.1	16.473
2015	1.9	0.0	17.297
2016	1.9	0.0	18.162
2017	1.9	0.0	19.07